



Homeland
Security

December 15, 2004

MEMORANDUM FOR: Karen E. Armes
Acting Regional Director
FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico
Field Office Director
Office of Audits

SUBJECT: *Audit of the City of Pacifica, California*
Public Assistance Identification Number 081-54806
FEMA Disaster Number 1203-DR-CA
Audit Report Number DS-04-05

The Office of Inspector General (OIG) audited public assistance grant funds awarded to the City of Pacifica, California (City). The objective of the audit was to determine whether the City expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The City received a public assistance grant award of \$3.9 million from the California Office of Emergency Services (OES), a FEMA grantee, for recovery efforts resulting from severe winter storms and flooding. The disaster period was from February 2, 1998, to April 30, 1998. The award provided 75 percent federal funding for 11 large projects and 31 small projects.¹ The audit covered the period February 2, 1998, to October 30, 2002, and included a review of eight large projects with a total award of \$3.2 million (see Exhibit).

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to *Government Auditing Standards* issued by the Comptroller General of the United States. The audit included review of FEMA, OES, and City records, tests of the City's accounting records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

¹ Federal regulations in effect at the time of the disaster set the large project threshold at \$47,100.

RESULTS OF AUDIT

The City generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, the City's claim included \$29,925 in costs that were not supported and \$4,433 in accounting errors. Therefore, the OIG questions \$34,358 of the City's claim, of which \$25,769 represents the FEMA share.

Finding A – Unsupported Costs

The City claimed \$29,925 in project costs without documentation supporting that these costs were disaster related.

- City records for six projects did not include documentation such as invoices and canceled checks to support \$29,179 of the City's claim. Project numbers and unsupported cost amounts are listed below.

Project Number	Amount Unsupported
03686	\$ 620
50837	1,331
77094	1,018
77095	18,795
77096	6,344
86788	<u>1,071</u>
Total	<u>\$29,179</u>

- The City also improperly claimed \$746 under project 77095. Project records showed these costs pertained to a deposit for water service that the City paid to a utility company. While the deposit was later returned to the City, the \$746 was not credited to the project. Therefore, the City's claim for this amount was not supported.

According to 44 CFR 13.20(b)(2), the City is required to maintain accounting records that identify how FEMA funds are used. City officials agreed that documentation was not available to support the \$29,925 in claimed costs questioned by the OIG.

Finding B – Accounting Errors

The City's claim for five projects contained \$4,433 in accounting errors. The accounting errors consisted of amounts that were either overstated, posted in duplicate, or not related to the projects. Project numbers and accounting error amounts are listed below.

Project Number	Accounting Errors
03686	\$ 117
50837	1,358
77094	287
77095	2,641
77096	<u>30</u>
Total	<u>\$4,433</u>

According to 44 CFR 13.20(b)(1), the City is required to accurately report the results of financially assisted activities. City officials agreed that the \$4,433 in accounting errors questioned by the OIG was not accurately reported.

RECOMMENDATION

The OIG recommends that the Acting Regional Director, FEMA Region IX, in coordination with OES, disallow \$34,358 in costs claimed by the City.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP

The OIG discussed the results of the audit with OES and City officials on November 16, 2004. City officials agreed with the findings. The OIG also notified FEMA Region IX officials of the audit results on December 1, 2004.

Please advise this office by February 14, 2005 of the actions taken to implement our recommendation. Should you have any questions concerning this report, please contact me at (510) 627-7011. Key contributors to this assignment were Trudi Powell, Apolinar Tulawan, and Gloria Conner.

Schedule of Audited Projects
City of Pacifica, California
Public Assistance Identification Number 081-54806
FEMA Disaster Number 1203-DR-CA

Project Number	Amount Awarded	Cost Questioned	Finding Reference
01699	\$ 54,634	\$ 0	
03686	167,011	737	A, B
22296	123,708	0	
50837	599,955	2,689	A, B
77094	149,725	1,305	A, B
77095	1,921,618	22,182	A, B
77096	95,013	6,374	A, B
86788	97,500	1,071	A
Total	<u>\$3,209,164</u>	<u>\$34,358</u>	

Finding Reference Legend:

- A. Unsupported Costs
- B. Accounting Errors